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Case Number 94 1848

IN THE SUPREME COURT
OF THE UNITED STATES

OCTOBER TERM, 1994

BMMG, INC., ROBERT S. MANN,
BOB MANN'S MALIBU GYM, INC.,

Petitioners,

v.

AMERICAN TELECAST CORPORATION,
WALLY ARMSTRONG GOLF, INC.,
WALLY ARMSTRONG, KENNETH ROGERS AND
GEORGE SUMMERALL,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEAL
FOR THE NINTH CIRCUIT

APPENDIX TO PETITION FOR WRIT OF CERTIORARI

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ORDER DENYING PETITION
FOR REHEARING EN BANC
Ninth Circuit Court of Appeal
Case No. 93-55892

The panel, as constituted in the above case, has voted to deny the petition for rehearing. Judges Hug and Poole have voted to reject the suggestion for rehearing en banc, and Judge Gibson has made no recommendation on the suggestion for rehearing en banc.

The full court has been advised of the en banc suggestion and no active judge of the court has requested a vote on it. Fed. R. App. P. 35(b).

The petition for rehearing is DENIED and the suggestion for rehearing en banc is REJECTED.

Memorandum Decision[1] of the Ninth Circuit Court of Appeal Case No. 93-55892

Before: GIBSON,[2] HUG and POOLE, Circuit Judges/

BMMG, Inc., Robert S. Mann, and Bob Mann's Malibu Gym, Inc., (collectively, "BMMG") appeal the district court's grant of summary judgment in favor of respondents. The dispositive issue on appeal is whether BMMG produced actual evidence of injury resulting from the respondents' alleged false advertising. See, Harper House, Inc. v. Thomas Nelson, Inc., 889 F.2d 197, 210 (9th Cir. 1989) (holding that actual evidence of some

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1. This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by 9th Cir. R. 36-3.

2. Honorable Floyd R. Gibson, Senior United States Circuit Judge for the Eighth Circuit Court of Appeals, sitting by designation.

injury resulting from deception is essential element of plaintiff's case). BMMG contends that Dr. Thomas' affidavit creates a genuine issue of fact as to causation. We have jurisdiction under 28 U.S.C. § 1291, and we affirm.

BMMG brought this suit seeking damages for lost profits under section 43(a) of the Lanham Act. To prevail, BMMG must prove that: 1) respondents attempted to sell its golf videos by making false statements; 2) respondents' false advertisement deceived a significant portion of the consuming public; and 3) BMMG's alleged injury resulted from the deception. Harper House, 889 F.2d at 208, 210. As we noted in Harper House, "[i]n a suit for damages under section 43(a) . . . actual evidence of some injury resulting from the deception is an essential element

of the plaintiff's case." Id. at 210.

Although Dr. Thomas' affidavit provides evidence that American Telecast's sales caused BMMG to lose sales, it does not link the loss of sales to the alleged deception. There is no evidence sufficient to create a genuine issue of material fact as to whether the alleged deception caused any injury to BMMG.

BMMG relies on U-Haul Intern., Inc. v. Jartran, Inc., 793 F.2d 1034 (9th Cir. 1986) in contending that it is entitled to a presumption that the alleged deception caused its injury. That case is clearly distinguishable. The presumption approved in Jartran was that the expenditure of substantial funds in an effort to deceive consumers gives rise to a presumption that the consumers are in fact deceived. Id. at 1041. This presumption does not extend

to justify a finding that a competitor is injured by the deception. As we noted in Harper House, the plaintiffs in the Jartran case had presented evidence that Jartran's deceptive advertising injured U-Haul. Harper House, 889 F.2d at 208-209. The plaintiffs in Jartran used actual evidence, not a legal presumption, to prove the injury element of their case.

In the case at hand, the district court correctly found that there was no evidence that BMMG lost any sales due to American Telecast's alleged deception. The causal link is missing. Accordingly, the judgment of the district court is affirmed.

AFFIRMED.

//

ORDER (GRANTING SUMMARY JUDGMENT)
Opinion by Hupp, J.
United States District Court
Central District of California
Case No. CV92-3308-HLH

This matter was submitted following oral argument on 5/3/93. It is now decided as set forth below. The motion for summary judgment is granted. Judgment is rendered that plaintiffs take nothing in this action.

In this Lanham Act and state law tort action, plaintiffs contend that defendants' golf "infomercial" contained false representations, to plaintiffs' damage. While the pleaded false representations were multiple, plaintiffs defend this motion for summary judgment on the basis of two arguments: --that the celebrity endorsers Rogers and Summerall

lied when they told the television audience that the sold instruction tapes being sold had enormously helped their games when in fact the tapes had not even been made when Rogers and Summerall spoke, and thus could not have been seen, much less have helped their games -- and that the infomercial as a whole repeatedly asserts a related falsehood that the tapes are in existence at the time the infomercial ran. The infomercial ran for a period of time ("test marketing" according to defendant) before the product (the tapes) was actually made. The tapes were then observed by Rogers and Summerall, who renewed or ratified their endorsements of the tapes. In the meantime, significant sales orders for the tapes (6 hours worth for $150) were generated. Plaintiffs, who also

advertised a golf instruction tape by infomercial (1-1/2 hours for $39), claim that its sales were reduced by the false advertising, and seek damages.

Defendants, for reasons not clear to the court in view of the clear evidence of falsity as to the statements of Summerall and Rogers prior to their ratification after seeing the tapes, seek summary judgment on the liability aspects of the Summerall-Rogers falsehoods as well as on the damage aspects. First, defendants assert that the statements of Rogers and Summerall are not actually false. However, since both Rogers inferentially and Summerall expressly give the then non-existent tapes credit for improving their individual golf games (not the general nature of Armstrong's techniques or

earlier tapes they may have seen), this contention has no merit. Second defendant say that the false statements did not mislead customers as to the nature and characteristics of the videotapes. This argument has no merit since the tapes were being sold in part by the utilization of a falsehood --that they had improved the endorsers' golf game. Third, it is argued that the endorsers' statements were mere puffery. Part of the statements surely were that, and are not actionable, but the label "mere puffery" cannot be used to cover over a false statement of fact. Fourth, it is argued that any falsity in the statements was "cured" by their reendorsement after the tapes were viewed by Rogers and Summerall. The ratification may well (the court assumes so for purposes of this motion) make the

infomercials not false when broadcast from that point on, but does not "cure" the problem that large numbers of orders were taken and filled resulting from the original infomercials with the false statements. To argue that the statements were true when the orders were shipped is sophistry--the orders were sent in potential reliance on a lie. The later ratification by Summerall and Rogers could only go to validate orders sent as a result of showing the infomercial after the date of ratification. Fifth, it is posited that the original infomercial was mere "testing marketing", which should not count. This argument has the least merit at all. There is no more warrant for lying in test marketing than there is at any other time. In addition, substantial sales seem to have been made as a result

of "test marketing" (plaintiff claims in excess of $7,000,000). Thus, the court denies the motion for summary judgment based on a theory that plaintiff cannot show violations of the Lanham Act with respect to the statements of Summerall and Rogers prior to their ratification of the endorsement of the tapes after seeing them. The court does not determine who was responsible for the falsity identified; apparently both Rogers and Summerall in their depositions stated that they thought that the tapes they were endorsing were previously produced tapes of Armstrong, not the new then non-existent tapes which were sold through the infomercial.

At oral argument, the plaintiff argued forcefully that the falsehoods went

further and infected the whole of the infomercial. This argument is then the basis for a further argument that the sufficiency of the damage evidence should be judged in light not merely of the Summerall-Rogers falsehoods before ratification, but in light of the effect of the whole infomercial. In making this argument, plaintiffs do not distinguish between the effect of the infomercial broadcast before the tapes were done (from Dec. 1991 to March 1992) and those broadcast thereafter. The court submitted the matter so it could further review the material submitted to see if there was a triable issue of fact in this argument. It is concluded that there is not. The evidence shows that the infomercial was produced before the tapes that it advertises. The infomercial was broadcast

starting the first week of Dec. 1991, and ran continuously thereafter. The tapes advertised were produced between then and the end of March 1992. The orders from the early infomercials were not filled until the production of the tapes was complete, and those who submitted early orders were given an opportunity to have their money returned. Plaintiffs charge that there was no intention to produce the tapes until it was seen that there was a worthwhile number of orders, but there was no evidence to support this charge. A reading of the transcript of the infomercial shows that there is never (except by Summerall expressly and Rogers impliedly) an express statement that the tapes are done and ready to ship. There are extensive statements as to what will be shown by the tapes. These statements

are couched in terms of which of Armstrong's concepts and methods are revealed by the tapes. There is not sufficient evidence to show a misrepresentation. There is no allegation that the tapes do not in fact depict Armstrong's techniques and teach his theories. The court thus rejects the plaintiffs' proposition that there is sufficient evidence to take to a jury a contention that the whole infomercial is one long fraudulent statement. If the product is in production, and is intended to be produced and sold to those who order it, and the product meets the description of it in the advertisement, no inference of fraud arises because it is not on the shelf when the advertisement is run. Thus, the summary judgment motion must be considered alone on the circumstances of

the representation by Summerall and Rogers.

That leads to the subject of damages, specifically whether plaintiff can show that at least some damages were caused by the false part of the infomercial. In considering this question, certain additional non-controverted facts are relevant. There is a sizeable market in golf instruction videotapes. Hundreds of versions are on the market. They are available through video stores, sporting goods stores, pro shops, department stores, and are widely advertised in the magazine and newspaper media. The infomercial is only one means of advertising and marketing of golf instructional tapes. Thus, there being multiple factors in the market, the cause

of success or failure of one product cannot be measured by a simple two party comparison. In addition, the instructional videotapes come in varying length and cost, as illustrated by the $150 6-hour defendant tapes and the 1/1/2 hour $39 plaintiff tape. Numerous market factors make it difficult to compare one with the other. Plaintiffs say that only plaintiffs and defendants use the infomercial method of advertising; this may be so but does not create a specialized sub-market. Obviously, plaintiffs and defendants must compete with all other golf instructional products using differing media for advertising. Plaintiffs have not submitted a declaration of an expert economist refuting this common sense analysis.

In addition, there is a question as to how much the false statements contributed to the success of defendants' product. The statements were made by well-known celebrities, but were only a small part of the presentation by the celebrities, which, in turn, was only a small part of the infomercial in which Armstrong demonstrated his theories and techniques.

The summary judgment motion challenges plaintiffs (who have the ultimate burden of proof on this issue) to come up with evidence to show that the falsity as to which an issue is shown caused a diminution of plaintiffs' sales. Here, it is important to note that we are considering the causal connection between the falsity and the claimed drop in sales,

not the connection, if any, between defendants overall sales and the drop in plaintiffs' sales. (Harper House 9Cir''89 889 F2d 197, 210.) This requires plaintiffs to have proof of some degree that the false statements of Summerall and Rogers during the period of falsity (to the effect that the tapes had improved their game) caused a loss of plaintiffs' sales. There is no such proof. Plaintiffs all through their opposition assume that what they are comparing is whether the Armstrong infomercial caused a diminution in plaintiffs' sales; as seen above, this is not so. Armstrong has the right to compete using the infomercial technique; if he has built a better mousetrap, plaintiffs may not complain. The whole theory of the opposition is therefore undercut, since in large part it

seems to be based on the theory that its causation argument is based on defendants' sales, not the effect, if any, of the falsities as to which an issue of fact is shown.

Plaintiffs offer three items in support of their causation theory. First, it is argued that the "single source" exception to the need to prove causation applies. So far as the court can tell, the idea behind this argument is that when there are only two suppliers of a product, the increased sales of one is enough to prove that such was the cause of decreased sales of the other. Whatever the merits of this theory in the situation assumed, the theory plainly cannot apply here, for two reasons. There are multiple golf instruction videos on the market and thus

there are multiple possible causes of a change in the market position. Further, in this case, there are multiple differences between the method of marketing the two products here--price, quantity, possibility quality--which can account for the differences along with the misrepresentation alleged. Thus, the single source "rule", which might have relevance in a two source market dealing with a fungible product, can have no application here.

The second argument is that a Mr. Marsh, an executive of defendants, spoke with plaintiffs on 3/2/92 and said that he understood that defendants' infomercial would reduce plaintiffs' business. From what is said above, it is easy to see that the answer to this is "so what?"

Certainly, increased sales of one product might possibly hurt sales of another product. The question, however is to what extent did the false statements in the endorsements hurt sales of plaintiffs' product, and the admission does not cover that.

The third ground of opposition to the causation argument is the opinion evidence of Dr. Thomas, an apparently qualified expert, that causation is present. Defendants challenge at the threshold the admissability of Dr. Thomas' declaration because Dr. Thomas was not listed as an expert on the time schedule provided by Local Rule 9. To the court, this is a serious challenge, since "game playing" with expert identity for the purpose of preventing proper preparation of the case

by the opponents is an evil which should be stamped out in our courts. Here, there appear to be some ameliorating factors which make it unclear whether Dr. Thomas ultimately would be allowed to testify as an expert in the trial. Apparently plaintiff and defendant, without the authority of the court, have agreed among themselves that expert depositions will be conducted after the discovery cut-off (which passed 4/1/93) and indeed after the date of the argument on this motion. The court does not approve of such agreements but will not interfere with the voluntary action of counsel in living up to them without the necessity of a court order. Thus, there is the possibility that defendant will not be prejudiced by the late designation of Dr. Thomas. Further, Dr. Thomas apparently relies on material,

including extensive depositions of employees of the plaintiff, which has been delivered to defendants (defendants appear to dispute this in part). It therefore appears that any prejudice from the late notification may have been largely dissipated on the facts of this case. With this picture, the court does not know now that Dr. Thomas would be excluded from testifying at trial. Since there is a potential that he will so testify, his declaration is considered on this summary judgment motion.

In considering the declaration of Dr. Thomas on the merits of this motion, it is immediately apparent that his basic assumption (given to him by counsel) is that he is to compare the sales generated by the defendants' infomercial with any

drop in sales by plaintiffs to see if the one was the cause of the other. He opines that there is such a causal connection. This would be sufficient to establish a triable issue of fact if that comparison was relevant on this motion, but it is not. Rather than look to the entire infomercial run by the defendants, it is necessary to look at the causal connection between the falsities in the statements of Summerall and Rogers, until cured by ratification, with the decrease in the sales of the plaintiffs. No attempt has been made to do this. Since it is the diminution in sales caused by the falsities which is at issue, there is no evidence that the falsities as to which there is sufficient evidence to provide an issue of fact caused any damage.

There being no evidence that the false advertising caused any damage, judgment must be entered in the Lanham Act claim.

The court assumes that there is diversity jurisdiction; otherwise the state law claims would be merely dismissed with the dismissal of the only federal claim. The state claims are partially resolved by the above determination. The common law unfair competition claim must be dismissed for the same reason as the Lanham Act claim. There is no private damage action under Cal. B&P Code §§ 17200 or 17500. Whether or not "disgorgement" (an equitable remedy) is only available to the Attorney General or not, plaintiffs here are seeking to measure it by their loss of sales, but, as seen, they have not

shown any causation. The claims for interference with contractual relations or with prospective business advantage fail because there is no showing of any existing contractual relationships or established business relationships with which defendants interfered. In addition, the causation of damages as attributed to false statements cannot be shown.

There are no viable claims to be tried. Summary judgment is granted.

IT IS FURTHER ORDERED that the Pre-Trial Conference now set for Friday, May 7, 1993 is Off Calendar. Counsel for defendants is directed to prepare form of Judgment in accordance with this Court's ruling.

Rule 56. Summary Judgment

(a) For Claimant. A party seeking to recover upon a claim, counterclaim, or cross-claim or to obtain a declaratory judgment may, at any time after the expiration of 20 days from the commencement of the action or after service of a motion for summary judgment by the adverse party, move with or without supporting affidavits for a summary judgment in the party's favor upon all or any part thereof.

(b) For Defending Party. A party against whom a claim, counterclaim, or cross-claim is asserted or a declaratory judgment is sought may, at any time, move with or without supporting affidavits for a summary judgment in the party's favor as

to all or any part thereof.

(c) Motion and Proceedings Thereon. The motion shall be served at least 10 days before the time fixed for the hearing. The adverse party prior to the day of hearing may serve opposing affidavits. The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. A summary judgment, interlocutory in character, may be rendered on the issue of liability alone although there is a genuine issue as to the amount of damages.

(d) Case Not Fully Adjudicated on Motion. If on motion under this rule

judgment is not rendered upon the whole case or for all the relief asked and a trial is necessary, the court at the hearing of the motion, by examining the pleadings and the evidence before it and by interrogating counsel, shall if practicable ascertain what material facts exist without substantial controversy and what material facts are actually and in good faith controverted. It shall thereupon make an order specifying the facts that appear without substantial controversy, including the extent to which the amount of damages or other relief is not in controversy, and directing such further proceedings in the action as are just. Upon the trial of the action the facts so specified shall be deemed established, and the trial shall be conducted accordingly.

(e) Form of Affidavits; Further Testimony; Defense Required. Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein. Sworn or certified copies of all papers or parts thereof referred to in an affidavit shall be attached thereto or served therewith. The court may permit affidavits to be supplemented or opposed by depositions, answers to interrogatories, or further affidavits. When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's

response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial. If the adverse party does not so respond, summary judgment, if appropriate, shall be entered against the adverse party.

(f) When Affidavits are Unavailable. Should it appear from the affidavits of a party opposing the motion that the party cannot for reasons stated present by affidavit facts essential to justify the party's opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just.

(g) Affidavits Made in Bad Faith. Should it appear to the satisfaction of

the court at any time that any of the affidavits presented pursuant to this rule are presented in bad faith or solely for the purpose of delay, the court shall forthwith order the party employing them to pay to the other party the amount of the reasonable expenses which the filing of the affidavits caused the other party to incur, including reasonable attorney's fees, and any offending party or attorney may be adjudged guilty of contempt.

TITLE 15. COMMERCE AND TRADE

CHAPTER 22. TRADE-MARKS

GENERAL PROVISIONS

15 U.S.C. §1125. False designations of origin and false descriptions forbidden

(a) Civil action.

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship,

or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any

nongovernmental entity.

(b) Importation. Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this Act in cases involving goods refused entry or seized.

CERTIFICATE OF SERVICE

I declare that I am over the age of eighteen years and not a party to the within action. My business address is 505 Montgomery Street, 16th Floor, San Francisco, California 94111.

On May 8, 1995, I served the following document(s):

APPENDIX TO PETITION FOR WRIT OF CERTIORARI

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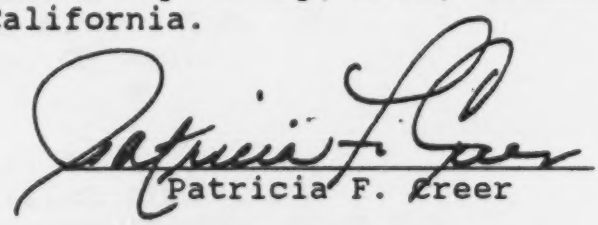
by placing three true and correct copies thereof in a sealed envelope with postage fully prepaid in the United States Mail at San Francisco, California, addressed as follows:

SEE ATTACHED SERVICE LIST

I declare under penalty of perjury the foregoing to be true and correct. Executed this 8th day of May, 1995, at San Francisco, California.



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